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ARTICLES:

(1) In second party head talks, Aso briefs on specific measures, while Hatoyama advocates principles

MAINICHI (Page 1) (Excerpts)
June 18, 2009

Prime Minister Taro Aso and Democratic Party of Japan (DPJ) President Yukio Hatoyama faced off in the Diet in their second debate yesterday. Hatoyama referred to principles in his remarks, such as an ideal national vision. Meanwhile, Aso insisted on the need for discussing specific issues in a realistic manner, saying: "Unless specific measures are discussed, people will feel uneasy."

Citing the current state in which 100 persons commit suicide across the nation everyday on average and the state of poverty of fatherless families, Hatoyama said: "Let's help these people. Let's build a nation in which they can secure their places."

Aso briefed on specific measures the government has taken in the fiscal 2009 supplementary budget and other economic packages. He said: "The government will provide 20,000 yen to a fatherless family with a high school student and pay up to 140,000 yen disbursed from the supplementary budget to vocational person over a period of three years."

In discussing financial resources, Hatoyama emphasized: "Money should be used to finance measures needed to value human lives." He then called for eliminating wasteful spending by reviewing

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negotiated contracts for projects. Aso detailed the nation's budgetary allocations and then emphasized: "This issue must be closely examined."

When he assumed the party presidency, Hatoyama advocated establishing a fraternal society. Members of a policy group in the DPJ called on Hatoyama on May 14 and proposed a concept to make Northeast Asia a nuclear-weapons free zone. Hatoyama's policy pledges, revealed on the day of the presidential election on May 16, included the concept as a specific measure to promote a fraternal diplomacy. A mid-ranking party member voiced concern: "Although he includes everything in his policy of fraternity, he does not present any specific measures, just coming up with principles."

Meanwhile, Aso emphasized the actual results it has made so far, such as the enactment of four budgets in about nine months since he came into office. Hatoyama said (in the party head talks on May 27): "I will pursue the goal of building a fraternal society." The LDP is trying to play up its ability to take the helm of the state by spotlighting its achievements, while the DPJ is calling for reforming the shape of the nation through a change of government. These different political styles are reflected in the leaders' stances.

Jun Iida, professor at National Graduate Institute for Policy Studies, suggested that the prime minister should clarify as to which direction he wants to lead Japan, not only listing specific policy measures. Regarding Hatoyama's policy stance, he made this comment: "Unless he presents both principles and specific measures as a set, he will be unable to show the specific picture of a fraternal society."

Government spending and fraternal spirit

In their second debate June 17, Prime Minister Hatoyama and DPJ President Yukio Hatoyama demonstrated the distinguished difference in their political styles. In the run-up to the House of Representatives election, pundits make a comparison between the two leaders, focusing on (1) assertions as a politician; (2) leadership; and (3) communication ability.

Policy measures

The government compiled a supplementary budget for fiscal 2009 worth

14 trillion yen, marking the largest ever scale. About 380 billion yen was allocated to the Forestry agency in the budget, and an additional 250 billion yen was also set aside for the agency in the supplementary budget. Lower House member Koya Nishikawa, chairman of the LDP's Agriculture Basic Policy Committee, spoke about Aso's policy of disbursing huge amounts of government funds, showing surprise: "First, groups in the forestry industry told me not to tell a lie."

Aso has made inconsistent remarks, but his economic policy is so consistent that even a bureaucrat who once served as secretary to a cabinet minister said, "He is an out-and-out advocate of large infusions of government spending."

In January 2001, Aso assumed the portfolio responsible for economic and fiscal policy. Although he was expected to take measures to rebuild the nation's finances, Aso made statements positive about boosting government spending. When he was serving as Policy Research

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Council chairman under the Koizumi administration in April 2002, Aso said in a monthly magazine: "I think additional fiscal disbursements are necessary." In a newsletter issued in January 2003 by his support group, Aso noted: "My economic policy is totally different from that of Prime Minister (Junichiro) Koizumi."

His theoretical supporter is said to be Richard Koo, the chief economist of Nomura Research Institute. According to informed sources, they deepened a friendship in the latter half of the 1990s. Aso seems to have been impressed by Koo's argument for expanding domestic demand by increasing government spending.

Cited as a feature in his policy stance, Hatoyama openly insisted on the need for constitutional revision, on which discussion had long been viewed as a taboo in the political world. He now takes the view that "we are not in the state of starting the process of revising the Constitution now" (as he said at the Japan Press Club on May 15). In the party presidential race in September 1999, in which he ran for the first time, he put forth constitutional revision as one of his campaign pledges. In December 2004, he revealed his draft proposal for constitutional revision, including measures to shift the centralized administrative system to a decentralization system, specify a self-defense military, and to approve having a female emperor. He might have been influenced by his grandfather, Ichiro Hatoyama, who was an advocate of constitutional revision.

In his draft proposal, Hatoyama said: "In laying down a plan to build a state under the principle of fraternity, constitutional revision becomes necessary;" and "In order to drastically reform the nation, it is necessary to clearly write a new mechanism (regional sovereignty) in the Constitution." Here, too, the buzzword is "fraternity."

Leadership

In an interview in a weekly magazine issued in April 2003, Aso sharply criticized Koizumi's appointments of cabinet ministers on his own authority, saying, "Mr. Koizumi has no consideration."

After Shoichi Nakagawa resigned from the post of finance minister over G-7 debacle caused by alcohol, Aso reportedly said, with tears in his eyes: "There is no other person like him who is skillful at the job." He installed his close friends in ministerial posts. He also awarded key posts to Shigeru Ishiba and Kaoru Yosano, both of whom were his rivals in the presidential race, highly evaluating their abilities. He has played up "humanity" and "a sense of balance," in contrast to Koizumi.

However, when it comes to a state leader, there is only a very slight difference between "humanity" or "consideration" and "irresolution." Over the dispute over the reappointment of Japan Post Holdings Co. President Nishikawa, his delayed response resulted in driving Internal Affairs and Communications Minister Kunio Hatoyama into resignation and in significantly pushing down public support of his cabinet.

In a DPJ executive meeting on June 2, Hatoyama categorically said: "I will not set up a project team to map out a plan for a new administration and will decide on a plan by myself." One senior member commented: "I was amazed to see how remarkably he has changed."

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Hatoyama said (in an interview with the Mainichi Shimbun in August 2000): "I am told, 'Mr. Hatoyama is somehow feeble.'"

DPJ Supreme Advisor Hirohisa Fujii said: "He has matured (as a leader)," but he added: "He has yet to grow into a man of integrity with backbone."

Communication ability

Aso grumbles to his aides recently: "I wonder why speeches are not given on the streets." Aso has visited the offices of LDP-backed potential candidates for the upcoming Tokyo assembly election, which is viewed as a prelude to the next general election, but he has not delivered street-corner speeches. He said to a Mainichi Shimbun reporter, "If politicians have no courage to say their real feelings, their speeches will not be attractive." He stressed the importance of a speech.

When Hatoyama held a dialogue with then prime minister Junichiro Koizumi as DPJ head in April 2002, his aides pointed out a lack of communication capability.

Meanwhile, his stance of carefully listening to his companions in a gentle atmosphere has been favorably taken. In 1993, when he was deputy chief cabinet secretary in the Hosokawa administration, a number of complaints came from Hokkaido of the planned market-opening policy. When a group of farmers from Hokkaido visited his office, his secretary explained the need for market opening to the farmers wearing a stern look. But after Hatoyama listened to what they claimed and said, "I understand," there were smiling and left the office.

(2) JCG receives another navigation warning from North Korea; Missiles?

YOMIURI ONLINE
11:52, June 18, 2009

The Japan Coast Guard (JCG) announced on June 18 that its patrol boats received a navigation warning from North Korea on the evening of June 17.

The warning is about a navigation ban in two sea areas some 135 kilometers from Wonsan on the east coast of North Korea from June 10-30. While the off-limits area is smaller than the one in the navigation ban monitored on June 7, the JCG has issued a new warning and called for caution.

The Kitaeryong base, where preparations are underway to fire Nodong mid-range missiles, is located south of Wonsan.

(3) Upper House committee rejects anti-piracy bill

MAINICHI ONLINE
June 18, 2009

The anti-piracy bill, which will be the new legal basis for the anti-piracy operations of the Self-Defense Forces (SDF) in waters off Somalia, was rejected by a majority of the opposition consisting of the Democratic Party of Japan, Japanese Communist Party, and Social Democratic Party at the House of Councillors Committee on Foreign Affairs and Defense on June 18. The bill is expected to be

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rejected by the Upper House plenary session on June 19, but passed by a two-thirds majority of the ruling parties in a second vote at

the House of Representatives plenary session on the same day.

Two SDF escort ships are already engaged in operations in Somalia under Article 82 of the SDF Law governing maritime security operations. The proposed bill will expand the scope of escort operations to foreign ships, relax rules on the use of firearms, and authorize firing at ships to make them stop.

(4) Q&As with ConGen-designate Raymond Greene in interview with Ryukyu Shimpo on June 17

RYUKYU SHIMPO (Page 2) (Full)
June 18, 2009

-- What do you think of the current status of the U.S. military bases in Okinawa?

Greene: They are very important facilities for the Japan-U.S. security alliance. The signing of the Guam Agreement shows that the Obama administration, like the Bush administration, reconfirms the importance of U.S. Forces Japan realignment. I am confident that Futenma relocation will be completed during the Obama administration.

-- The marine commandant has talked about reviewing Futenma relocation and the Guam relocation plans under the QDR (Quadrennial Defense Review). Will the U.S. side review the realignment plans?

Greene: No such plans at all. There is no need for any review. Not only will the Marines be moved to Guam, there are also plans to expand the presence there of the Navy, the Army and the Air Force. Issues such as training sites may be written into the QDR, though. This will not affect Japan's share of the cost and the Marines' relocation.

-- How do you intend to deal with the Okinawan people's anti-base sentiment?

Greene: I am aware that there are different views in Okinawa. My role is to listen to them and explain our policy. There are also ways in which the presence of bases can make a contribution, such as the economic spinoffs and cooperation during disasters. I hope that apart from the political aspect, they will be able to make economic, educational, and cultural contributions.

(5) U.S. consul general-designate to Okinawa: No plans to review Futenma relocation

OKINAWA TIMES (Page 2) (Full)
June 18, 2009

Tokyo

Raymond Greene, security policy unit chief at the U.S. Embassy in Tokyo, who is the consul general-designate to Okinawa, gave an interview to the Okinawa Times in Tokyo on June 16. Asked about the location of the facility replacing the U.S. military's Futenma Air Station, Greene noted, "We decided on the current location through a long process." He gave a negative view on studying the pros and cons of moving the facility further into the sea, saying, "We have no

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plans for a review." He indicated the intention to implement the current government plan.

The Democratic Party of Japan (DPJ) has indicated that it wants to discuss with the U.S. relocating the Futenma base out of Okinawa, once the DPJ takes over the reins of government. Greene pointed out that: "We have no plans to review the U.S. Forces Japan realignment package. There is no plan at all to discuss (relocation outside Okinawa or Japan)."

Regarding a senior U.S. military officer's statement that the cost of relocating the U.S. Marines in Okinawa to Guam may be higher than originally estimated, Greene would only say that, "We would like to implement (the road map)." He also said that in case the cost rises,

"the Japanese side's share will not exceed the upper limit (agreed by the two countries); the U.S. side will pay (for the additional cost)."

Regarding the question of reviewing the Japan-U.S. Status of Forces Agreement (SOFA), Greene stated: "Improving the operation (of the SOFA) is effective. That is the consensus reached between the two countries. At least, the U.S. side does not see any need."

(6) Risks behind "fraternal diplomacy": DPJ still clinging to the illusion of "contingency stationing of U.S. forces"

SANKEI (Page 3) (Abridged slightly)
June 18, 2009

A certain person likened Democratic Party of Japan (DPJ) President Yukio Hatoyama's mantra of "fraternal diplomacy" to a piece of stale cake. That is because "fraternity" was the buzzword of the late Prime Minister Ichiro Hatoyama, the grandfather of Yukio Hatoyama.

Ichiro Hatoyama, known for Japan-Soviet talks and as an advocate of constitutional amendment, sounded out the United States through then Foreign Minister Mamoru Shigemitsu about a total withdrawal of U.S. forces from Japan in 12 years' time. His grandson, Yukio is a constitutional revisionist and his pet idea is a Japan-U.S. security alliance without the regular stationing of U.S. forces in Japan, which closely resembles his grandfather's view.

The only difference appears that while Ichiro was inclined toward Japan's independent rearmament after a U.S. withdrawal, Yukio's diplomatic stance is likely to shift with the times.

Yukio Hatoyama contributed a paper titled "The Democratic Party of Japan -- My Administrative Vision" to the Bungei Shunju November 1996 issue, in which he unveiled the convenient idea of a Japan-U.S. security alliance without the regular stationing of U.S. forces in Japan. This immediately prompted then U.S. Deputy Assistant Secretary of Defense Kurt Campbell to fly to Japan to meet with Hatoyama and others at DPJ headquarters. Campbell criticized Hatoyama's idea outright, saying, "Responding to a dispute is a secondary factor; the (U.S. forces') presence itself has been a deterrent."

According to Hatoyama's idea of a Japan-U.S. security alliance without the regular stationing of U.S. forces, U.S. combat troops would withdraw from Japan in steps and the deterrent against North Korea would eventually disappear, as was pointed out by Campbell.

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The high-performance radar to detect North Korean ballistic missiles would be removed from Aomori's Shariki area, and the eight 7th Fleet Aegis vessels to intercept incoming missiles would be relocated from Yokosuka to Hawaii. The Air Force's F-16s at Misawa base that are capable of attacking North Korea would return to the continental United States permanently. Everything would be gone, from the F-22 stealth fighter jets at Okinawa's Kadena Base with an eye on the Chinese military to the Marine Corps at Futenma Air Station.

When there is no deterrent force, an accidental war can easily break out. Furthermore, will U.S. forces, having lost their bases, rush to Japan only in times of a national contingency and then shed their blood? Hatoyama visited the United States in September 1997 to seek its understanding. The United States brushed aside Hatoyama's idea as nonsense.

After consideration, the DPJ back then dropped "a security alliance without the regular stationing of U.S. forces" from its basic security plan.

Despite that, Hatoyama continued to insist, "The words are gone but the idea is still alive." The idea of "fraternity diplomacy" also remains ambiguous, as he has yet to offer a clear explanation. Ichiro Ozawa, too, said when he was DPJ president, "The 7th Fleet is enough to secure the U.S. presence (in the Far East)." Such a comment would only please China and North Korea.

Worse yet, Secretary General Katsuya Okada declared, "Asia comes before the Japan-U.S. alliance." This can explain why the United States has doubts about Japan.

An alliance is a relationship where two countries complement and strengthen each other's position. In this context, Okada's Asia-comes-first theory is preposterous. He prioritizes Asia's multilateral system over the alliance. According to former Secretary of State Henry Kissinger, putting too much emphasis on a multilateral system could lead to the negligence of bilateral alliances.

Because Asian neighbors, with whom Hatoyama and Okada sympathize, are generally evil-minded, they are certain to find "fraternal diplomacy" easy to control. The recent shift in relations between China and Taiwan sounded an alarm to such "fraternal politics."

The 2009 U.S. Department of Defense Report on China's military power points out China's continued military buildup despite reduced cross-Straits tensions since the advent of the administration of President Ma Ying-jeou in Taiwan. China has continued to increase its short-range missiles at a pace of 100 a year in the Taiwan Strait area. The country has 1,000 missiles aimed at Taiwan. President Ma is eager to promote "fraternity", but things are different on the military front, which must be prepared for national contingencies.

Seiji Maehara visited China when he was DPJ President. During his stay in China, the Chinese leadership, while indicating that the Yasukuni issue was the largest impediment to improving ties with Japan, gave the cold shoulder to Maehara, who clearly expressed his opposition to visits to the Shinto shrine by the Japanese prime minister. The reason was because Maehara been playing up the fact that China was a threat.

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Even a "peaceful rise" pledged by President Hu Jintao has been put on the backburner in recent years. Associated Press quoted on June 7 China fleet commander Adm. Hu Hongmeng as saying: "China needs an aircraft carrier, and the country will very soon have its own aircraft carrier." China does not conceal its ambition to become a military superpower.

It is essential to revamp the Japan-U.S. alliance. Two days after Japan issued an order to destroy an incoming North Korean missile, U.S. Secretary of Defense Robert Gates said: "We have no plan to intercept a missile unless it targets the United States." This was followed by Secretary of State Hillary Clinton's statement, "Japan has every right to protect and defend its territory."

These remarks indicated that even if Japan was exposed to a military threat, the United States might not make moves. Unable to shoot down a U.S.-bound missile because of its self-imposed ban on the use of the right to collective self-defense, Japan cannot complain about such a stance of the United States.

The Aso administration deserves much blame for leaving the Japan-U.S. alliance in tatters. At the same time, the DPJ leadership, including Hatoyama and Okada, has yet to break away from the illusion that the United States will station its troops in Japan only during the country's contingency. We hope the DPJ will change its view by modeling on former (socialist) Prime Minister Tomiichi Murayama who retracted his opposition to the Japan-U.S. security alliance.

(7) Government declares in monthly economic report for June that economy has "hit the bottom": Upward revision for two months in row; Word "deterioration" omitted for first time in seven months

NIKKEI (Page 1) (Excerpts)
June 18, 2009

The Cabinet Office in its monthly economic report for June, which was released on June 17, revised upward the monthly assessment of

the economy for two months in a row. It removed the word "worsening," as upward trends were observed in some sectors. Japan is thus the first country among industrialized countries to declare that its economy had "hit the bottom," following a pickup in industrial production and exports. However, regarding the future course of the economy, the Cabinet Office has maintained a stance of monitoring such downward economic risks as a decline in the employment situation and a slowdown in the global economy.

Cautious about future course of economy

Kaoru Yosano, who is in charge of economic and fiscal policy as well as financial services, at a press conference held the same day underscored that it can be strongly estimated that the economy has bottomed out. Concerning the future course of the economy, he indicated a cautious stance, saying, "Naturally, downward risks exist. It is always necessary to manage the economy and national finances very carefully."

The main reason for the government's determination that the economy has "hit the bottom" is a pickup in industrial output. The industrial production index shows that corporate production activities rose 5.9 PERCENT in April in comparison with the previous month's level, marking the highest growth in 56 years.

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Yosano pointed out, "Exports and industrial production had apparently hit the bottom in the January-March quarter."

Regarding personal consumption, a pillar of domestic demand, sales of new automobiles since April have taken an upward turn from the previous month's level as the result of an eco-car tax break. The government made an upward revision in the monthly report for the first time in two years, noting that signs of personal consumption ceasing to fall can be observed in some areas. It also raised its assessment of imports and the number of bankruptcies.

The financial crisis has deepened since the failure of Lehman Brothers in the fall of 2008, further deteriorating the economy. Japan was also hard hit, as can be seen by the real growth rate hitting its lowest-ever negative figure in the post-war period. However, it appears that the Japanese economy has climbed out of the worst phase in about six months.

However, if future risks are taken into consideration, the wording that the economy has "hit the bottom" is a bit disagreeable. According to the Cabinet Office, the economy "hitting the bottom" (sokouchi) indicates a situation in which the deteriorating economy has taken an upward turn. It defines the words as slightly stronger than "bottoming out" (sokoire), which indicates a situation where the economy has stopped deteriorating.

Stressing achievements?

The major reason that the government boldly used the wording "hit the bottom" (sokouchi) is that a strong economic index showing the highest growth in industrial production in 56 years was seen. However, the government used the wording motivated by a desire to stress the results of the largest-ever stimulus packages that it put together.

Both industrial production and exports stand at only about 70 PERCENT of the level seen last fall. Amid the situation of sluggish corporate earnings, there is still a sense of excessiveness about labor and production facilities. As such, the government revised downward its assessment of capital investment, one of the pillars of private-sector demand, adopting the wording that such investment has "significantly declined."

Given the current situation, the government maintained the assessment that "the harsh situation will continue while the employment situation is deteriorating." The employment situation continues to deteriorate with the overall unemployment rate in April reaching the 5 PERCENT level. The Cabinet Office views that there still is a high risk of the economy hitting a second bottom, meaning the economy will further deteriorate. The economic turnaround has

yet to occur."

(8) Succession issue: Why the Japanese media pursue the Kim Jong Il family; Gained momentum after admission of abductions

CHOSEN SHIMPO ONLINE
June 18, 2009

Sin Chong Nok, Tokyo correspondent; Kim Hong Su, Bern correspondent

Heightened sense of crisis due to nuclear test, etc. also one

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reason

On June 16, in the quiet residential district of Liebefeld in Bern, the capital of Switzerland, Japanese reporters could be spotted all over the place because it was found that the third son of North Korea's General Secretary Kim Jong Il, Jong Un, 26, had studied at a school in this district from 1998 to 2000.

Japanese reporters gathered in front of the public middle school that Jong Un went to and in front of the house of his supposed close friend at that time Joao Micaelo (Portuguese) and waited for the school's teachers or Micaelo's family members to come out. When this reporter dropped by, reporters from a Japanese TV station were delighted. They asked me: "Do you have any new information?" "We are anxious because we have not done our homework (obtain a photograph of Jong Un)." Micaelo's mother complained to me: "Japanese reporters kept ringing the door bell. I am about to have a nervous breakdown. I can hardly go out."

Members of the Japanese media have also been chasing after Jong Nam, 38, the eldest son of General Secretary Kim, in Macau and Beijing. Recently, two TV stations succeeded in interviewing him. Last October, Japanese TV filmed Jong Nam going into a hospital in Paris to meet doctors in charge of General Secretary Kim's treatment.

The only known three photos of Jong Un have all been obtained by the Japanese media. His photo taken when he was 11 was taken out of North Korea by Kenji Fujimoto, who used to be General Secretary Kim's personal chef. On June 14, Mainichi Shimbun published a photo of him when he was 16 and studying at a public middle school in Bern. In addition, Yomiuri Shimbun published on June 17 another photo taken during his school days in Bern.

The Japanese media began chasing after the "Kim Jong Il family" persistently from 2002. North Korea admitted the abduction of Japanese nationals during then Prime Minister Junichiro Koizumi's visit there. Since then, anti-North Korean sentiments surged in Japan, and there has been strong interest in the "Kim Jong Il family."

A Japanese reporter insists: "The rise in the Japanese people's sense of crisis due to North Korea's missile launches and nuclear tests is also one reason. How well one catches the movements of the Kim Jong Il family has even become the criterion for judging how good a reporter is."

However, there have been quite a bit of reports based on mistaken information or speculation. A typical example is TV Asahi's report on "Jong Un's latest photograph" which was actually the photo of a guy who runs an Internet community in the ROK. There have also been many reports that are probably not true, such as stories about Jong Un meeting PRC President Hu Jintao and plans to assassinate Jong Nam. Some claim that General Secretary Kim has already died, and the person appearing in the media right now is actually a "double." There are even brokers who sell information on North Korea.

Huanqiu Shibao, a sister publication of the Communist Party of China's official organ Renmin Ribao (People's Daily), made the following comments on June 17 on the Asahi Shimbun report dated June 16 that "Jong Un met President Hu," quoting Professor Chang of the Central Party School: "This is a smoke bomb to test if the Chinese government will admit or not."

(Corrected copy): China to start construction of pipelines via Burma in September, may affect Japan's reliance on Middle East oil

SANKEI (Top play) (Full)
June 18, 2009

Toshu Noguchi, Beijing

It was learned on June 17 that full-fledged construction work on pipelines for oil and natural gas from Burma (Myanmar) to China will start in September. With this, China will be able to transport crude oil from the Middle East and Africa without passing through the unstable Strait of Malacca or South China Sea. It is believed that this will serve as one of the arteries to ensure stable supply of crude oil for China, the world's number two oil importer, and may possibly result in China's greater reliance on Middle Eastern oil. This is also likely to have an impact on Japan, which relies on the Middle East for most of its oil imports.

China and Burma signed an agreement on the construction of the pipelines for oil and natural gas in March. According to the Diyi Caijing Ribao (China Business News), officials of Petrochina, a major Chinese oil and natural gas company, revealed on June 15 that the construction project costing approximately 2 billion dollars will go into full swing in September.

The pipelines will start from the port city of Sittwe (Akyab) in western Burma, pass through Mandalay in the central part of the country, and go into Yunnan Province in China, thereby reaching Kunming via Dali. It will have a total length of some 1,100 kilometers and is expected to transport about 20 million tons of oil each year, or 400,000 barrels daily.

The pipeline for natural gas will be completed as soon as 2012. It will ultimately be extended to Nanning in Guangxi Province and will transport 12 billion cubic meters of natural gas each year.

China became the number two oil consumer in the world in 2003 and surpassed Japan to become the number two oil importer in May 2008. It relies on imports for around 60 percent of domestic consumption. In 2007, the top five suppliers were Saudi Arabia, Angola, Iran, Russia, and Oman, with the Middle East taking up 45 percent and Africa 33 percent.

At present, most crude oil from the Middle East and Africa passes the Strait of Malacca enroute to China. Not only is the strait crowded and plagued by pirates, there are other factors of uncertainty in this area such as Indonesia, which has a history of anti-Chinese campaigns. There is also the territorial dispute over the Nansha islands in the South China Sea.

The Chinese government was looking for alternatives to relying on the Strait of Malacca route to secure its energy supply. This fit in nicely with Burma's desire to earn foreign currency, resulting in the pipeline project.

Avoiding the Strait of Malacca when transporting oil also represents cost cutting for China, where oil consumption is constantly on the rise.

If China increases its procurement of oil in the Middle East after

the pipeline is completed, this may impact crude oil supply for Japan, which imported 86.9 percent of its oil from this region in 2008. This may also contribute to a worldwide rise in oil prices.

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